

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Ferry Township	County Oceana
Fiscal Year End March 31, 2007	Opinion Date November 21, 2007	Date Audit Report Submitted to State November 25, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
X

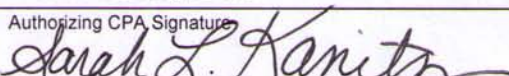
NO
O

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☐ ☒ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No additional reports required	
Certified Public Accountant (Firm Name) Lake Michigan CPA Services, PLC		Telephone Number (231) 690-5217	
Street Address 239 N. Jebavy Drive		City Ludington	State MI
Zip 49431			
Authorizing CPA Signature 	Printed Name Sarah L. Kanitz	License Number 1101027051	

Ferry Township
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended March 31, 2007

Ferry Township

List of Elected and Appointed Officials

Supervisor:	David Schmeiding
Clerk:	Mary Payne
Treasurer:	Sue Ann Rockwell
Trustee:	Larry Fessenden
Trustee:	Joyce Grey

Ferry Township

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Lake Michigan CPA Services, PLC

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INDEPENDENT AUDITOR'S REPORT

November 21, 2007

Township Board
Ferry Township
Ferry, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ferry Township, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ferry Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ferry Township, as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in

the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Lake Michigan CPA Services, PLLC
Ludington, Michigan

Management's Discussion and Analysis

Using this Annual Report

As management of Ferry Township, we offer readers of Ferry Township's financial statements, this narrative overview and analysis of financial activities for the year ended March 31, 2007. The Township is presenting this analysis along with the financial statements in a format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). The annual report consists of a series of financial statements, including the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements are also included, which tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The assets of Ferry Township exceeded its liabilities at the close of the March 31, 2007 fiscal year by \$579,294 (net assets). All of this amount is unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors. However, this was a decline of \$34,254 over the prior year net assets of \$613,548.

Within the fund financial statements, the Township's General Fund revenues exceeded expenditures by \$11,212.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to give a view of the entity as a whole. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective

Management's Discussion and Analysis

similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities and charges.

The Statement of Net Assets is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities, with the difference reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial health of the Township and whether the financial condition is improving or deteriorating.

The Statement of Activities reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included when the event giving rise to the change occurs, regardless of the timing of when cash is received or paid. The Statement of Activities is designed to help show the financial reliance of the Township's distinct activities or functions on revenues provided by the Township's taxpayers and intergovernmental revenues.

Fund Financial Statements.

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with related laws and regulations. Within the basic financial statements, the fund financial statements focus on the Township's most significant funds, rather than the Township as whole. Major funds are separately reported while all others are combined into an aggregated presentation. Ferry Township has two governmental funds, but has no business-type funds. The Township's major funds are the General Fund and the Fire Fund.

The Township has two types of funds as noted below:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year. Governmental funds are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Management's Discussion and Analysis

The government-wide financial statements focus on the long-term view, while the fund statements focus on a shorter view. Therefore, comparisons of the two may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances include a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison for the General Fund is found at the end of this report. This schedule demonstrates compliance with the Township's adopted and final revised budget.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide financial reporting, as they are used to account for resources held for the benefit of parties other than the Township. Fiduciary fund financial statements report resources that are not available to fund Township programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the Financial Statements.

The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin immediately following the basic financial statements.

Government-wide Financial Analysis

Net assets of the Township may be used as an indicator of a government's overall financial position. As of March 31, 2007, the Township's net assets from governmental activities totaled \$579,294, which was a decrease over the net assets of \$613,548 at March 31, 2006.

Net assets of the Township include net assets which are invested in capital assets (i.e., buildings, land, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Net assets invested in capital assets, net of related debt totaled \$312,564 at March 31, 2007 and \$352,569 at March 31, 2006. Capital assets were \$426,259 at the end of the 2007 fiscal year, compared to capital assets of \$457,837 at March 31, 2006. These capital assets were offset by the Township's debt, which was

FERRY TOWNSHIP

Oceana County Michigan

Management's Discussion and Analysis

\$113,695 at March 31, 2007 and \$105,268 at March 31, 2006. The debt consisted of two notes payable; one for a fire truck and one for a new township hall building.

The unrestricted net assets for governmental-type activities at March 31, 2007 and 2006 depicted fund balances of \$266,730 and \$260,979, respectively. The unrestricted fund balance represents the amount of discretionary resources that can be used for general governmental operations.

The following table presents a summary of the government-wide statement of net assets:

FERRY TOWNSHIP Summary of Net Assets

	March 31, 2007	March 31, 2006	Increase/ (Decrease)
Current assets	\$ 268,750	\$ 265,664	\$ 3,086
Noncurrent assets	426,259	457,837	(31,578)
Total Assets	<u>695,009</u>	<u>723,501</u>	<u>(28,492)</u>
Current liabilities	26,944	22,773	4,171
Noncurrent liabilities	88,771	87,180	1,591
	<u>115,715</u>	<u>109,953</u>	<u>5,762</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	312,564	352,569	(40,005)
Unrestricted	266,730	260,979	5,751
Total Net Assets	<u>\$ 579,294</u>	<u>\$ 613,548</u>	<u>\$ (34,254)</u>

FERRY TOWNSHIP

Oceana County Michigan

Management's Discussion and Analysis

The change in governmental activities' net assets showed a decrease of \$34,254 during the fiscal year. Operating expenses of \$221,922 exceeded combined operating revenues of \$10,361 and general revenues of \$177,307.

The following table summarizes the governmental statement of activities for the years ended March 31, 2007 and 2006:

Summary of the Statement of Activities For the Year Ended March 31, 2007 and 2006

	03/31/07	03/31/06	Increase/ (Decrease)
Revenues			
Program Revenues			
Charges for Services	\$ 10,361	\$ 9,550	\$ 811
General Revenues			
Taxes	68,086	69,192	(1,106)
Grants and Contributions not restricted	95,388	94,474	914
Unrestricted Investment Earnings	7,533	3,888	3,645
Miscellaneous	6,300	9,550	(3,250)
Total Revenue	187,668	186,654	1,014
Expenses			
General Government	140,427	119,363	21,064
Public Safety	50,104	55,593	(5,489)
Public Works	21,481	12,500	8,981
Community and economic development	7,856	5,212	2,644
Interest	2,054	2,692	(638)
Total Expenses	221,922	195,360	26,562
Increase in Net Assets	(34,254)	(8,706)	\$ (25,548)
Net Assets, April 1, 2006	613,548	622,254	
Net Assets, March 31, 2007	\$ 579,294	\$ 613,548	

Management's Discussion and Analysis

Fund Financial Analysis

As noted above, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming requirements. Ferry Township has two governmental funds, both of which are considered to be major funds for the year ended March 31, 2007.

The General Fund reported an ending fund balance of \$272,446, all of which is unreserved and unrestricted for continuing Township service requirements. The fund balance of the General Fund rose \$11,212 over the prior year. This was due to an increase in revenue and a decline in spending.

The Fire Fund had a deficit fund balance at March 31, 2007 of \$5,716, compared to a deficit fund balance of \$255 at March 31, 2006. During fiscal year 2007, this fund balance declined \$5,461.

Budgetary Highlights

The Township's originally adopted General Fund budget for the March 31, 2007 fiscal year did not include a revenue budget. The amended year-end budget was also without a revenue budget. Within the originally adopted expenditure budget, the Township planned spending of \$339,074. During the 2007 fiscal year, the expenditure budget was amended up to \$348,620. The most significant change was in township board expenditures, which were increased from \$48,000 to \$57,545. Other changes included an upward adjustment in the assessor line budget from \$16,900 to \$20,200 and a decrease of \$6,494 in planned capital outlays.

Capital Assets

The Township's total investment in capital assets as of March 31, 2007 was \$426,259. The investment in capital assets includes land and improvements, buildings and improvements, vehicles, equipment, and furniture and fixtures. Current year capital asset additions included the final bill for the completion of the new townhall (\$1,400) and a new parking lot for the townhall (\$1,713).

Management's Discussion and Analysis

The following table depicts the composition of capital assets of the Township as of March 31, 2007 and 2006:

Capital Assets
March 31, 2007 and 2006

Nondepreciable	03/31/07	03/31/06
Land	\$ 10,000	\$ 10,000
Depreciable		
Land improvements	1,713	-
Buildings and improvements	214,465	213,065
Furniture and office equipment	3,541	3,541
Vehicles and equipment	420,073	420,073
Total depreciable assets	<u>639,792</u>	<u>636,679</u>
Total capital assets	649,792	646,679
Less: Accumulated Depreciation	<u>(223,533)</u>	<u>(188,842)</u>
Capital assets, net of accumulated depreciation	<u>\$ 426,259</u>	<u>\$ 457,837</u>

Long-term debt

The Township's long term debt at March 31, 2007 consisted of two notes payable. The first note was for a fire truck. The second note was used to construct the new townhall. The notes payable balances were \$38,180 and \$75,515 at March 31, 2007 and \$56,268 and \$49,000 at March 31, 2006.

General Economic Overview

Ferry Township plans to maintain its financial stability over the course of the next fiscal year. The two main sources of revenue for the Township are property taxes and state shared revenue which, when combined, are expected to remain at about the same level as what was experienced in the current fiscal year. Expenditures are planned to remain consistent with the 2007 fiscal year.

Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide a general overview of the Ferry Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ferry Township, 3222 Green Street, Shelby, MI 49455 or at (231) 861-0545.

Ferry Township
Statement of Net Assets
March 31, 2007

ASSETS

	Governmental activities
CURRENT ASSETS	
Investments	\$ 177,626
Receivables	11,056
Due from tax fund	65,384
Due from other governmental units	14,684
Total current assets	<u>268,750</u>
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	10,000
Depreciable	416,259
Total noncurrent assets	<u>426,259</u>
Total assets	<u><u>\$ 695,009</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 9
Checks in excess of deposits	1,871
Accrued expenses	140
Current portion long-term debt	24,924
Total current liabilities	<u>26,944</u>
LONG-TERM LIABILITIES	
Notes payable	<u>88,771</u>
Total liabilities	115,715
NET ASSETS	
Invested in capital assets, net of related debt	312,564
Unrestricted	<u>266,730</u>
Total net assets	<u><u>\$ 579,294</u></u>

The accompanying notes are an integral part of this statement.

Ferry Township
Statement of Activities
For the year ended March 31, 2007

Functions/Programs	Expenses	Program Revenue Charges for services	Net (Expense) Revenue and Changes in Net Assets Governmental activities
Governmental activities:			
General government	\$ 140,427	\$ 6,061	\$ (134,366)
Public safety	50,104	3,100	(47,004)
Public works	21,481	1,200	(20,281)
Community and economic development	7,856	-	(7,856)
Interest	2,054	-	(2,054)
Total governmental activities	<u>\$ 221,922</u>	<u>\$ 10,361</u>	<u>(211,561)</u>
General revenues			
Property taxes, levied for general purposes			36,756
Property taxes, levied for specific purposes			30,763
Other taxes			567
Grants and contributions not restricted to specific programs			95,388
Unrestricted investment earnings			7,533
Miscellaneous			<u>6,300</u>
Total general revenues and special items			<u>177,307</u>
Change in net assets			(34,254)
Net assets at April 1, 2006			<u>613,548</u>
Net assets at March 31, 2007			<u>\$ 579,294</u>

The accompanying notes are an integral part of this statement.

Ferry Township
Balance Sheet
Governmental Funds
March 31, 2007

ASSETS

	General Fund	Fire Fund	Total Governmental Funds
ASSETS			
Investments	\$ 177,626	\$ -	\$ 177,626
Taxes receivable	11,056	-	11,056
Due from other funds	71,100	-	71,100
Due from other governmental units	14,684	-	14,684
	<u>274,466</u>	<u>-</u>	<u>274,466</u>
Total assets	\$ <u>274,466</u>	\$ <u>-</u>	\$ <u>274,466</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 9	\$ -	\$ 9
Checks in excess of deposits	1,871	-	1,871
Accrued payroll liabilities	140	-	140
Due to other funds	-	5,716	5,716
	<u>2,020</u>	<u>5,716</u>	<u>7,736</u>

FUND BALANCES

Unreserved	272,446	(5,716)	266,730
Total fund balances	<u>272,446</u>	<u>(5,716)</u>	<u>266,730</u>
Total liabilities and fund balances	\$ <u>274,466</u>	\$ <u>-</u>	\$ <u>274,466</u>

The accompanying notes are an integral part of this statement.

Ferry Township
Reconciliation of the Governmental Funds Balance Sheets
to the Statement of Net Assets
March 31, 2007

Total fund balance—governmental funds	\$ 266,730
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

Cost of capital assets	\$ 649,792	
Accumulated depreciation	<u>(223,533)</u>	426,259

Long-term liabilities in governmental activities are not due
and payable in the current period are not reported in the
governmental funds.

Notes payable	(113,695)
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Net assets of governmental activities in the Statement of Net Assets	<u>\$ 579,294</u>
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The accompanying notes are an integral part of this statement.

Ferry Township
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2007

	General Fund	Fire Fund	Total governmental funds
REVENUES			
Property taxes	\$ 36,756	\$ 30,763	\$ 67,519
Other taxes	567	-	567
Intergovernmental revenues - state	94,327	-	94,327
Charges for services	7,262	3,100	10,362
Contributions and donations	1,061	-	1,061
Investment earnings	7,533	-	7,533
Other	6,300	-	6,300
Total revenues	<u>153,806</u>	<u>33,863</u>	<u>187,669</u>
EXPENDITURES			
Current:			
General government	136,659	-	136,659
Public safety	-	19,182	19,182
Public works	21,481	-	21,481
Community and economic development	7,856	-	7,856
Capital outlay	3,113	-	3,113
Debt service			
Principal	-	18,088	18,088
Interest	-	2,054	2,054
Total expenditures	<u>169,109</u>	<u>39,324</u>	<u>208,433</u>
Deficiency of revenues under expenditures	<u>(15,303)</u>	<u>(5,461)</u>	<u>(20,764)</u>
OTHER FINANCING SOURCES			
Proceeds from long-term debt	26,515	-	26,515
Net change in fund balances	<u>11,212</u>	<u>(5,461)</u>	<u>5,751</u>
Fund balance at April 1, 2006	<u>261,234</u>	<u>(255)</u>	<u>260,979</u>
Fund balance at March 31, 2007	<u><u>\$ 272,446</u></u>	<u><u>\$ (5,716)</u></u>	<u><u>\$ 266,730</u></u>

The accompanying notes are an integral part of this statement.

Ferry Township

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the governmental funds to the Statement of Activities

For the year ended March 31, 2007

Net changes in fund balances - total governmental funds	\$ 5,751
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(34,691)
Capital outlay	3,113

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

18,088

The issuance of long-term debt provides current financial resources to governmental funds, but the proceeds increases the long-term liabilities in the Statement of Net Assets.

(26,515)

Change in net assets of governmental activities	\$ <u>(34,254)</u>
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The accompanying notes are an integral part of this statement.

Ferry Township
Statement of Fiduciary Assets and Liabilities
Agency Fund
For the year ended March 31, 2007

	Tax Collection Fund
ASSETS	
Cash and investments	\$ 73,394
LIABILITIES	
Due to other funds	65,384
Due to other governmental units	8,010
Total liabilities	\$ 73,394

The accompanying notes are an integral part of this statement.

Ferry Township
Notes to the Financial Statements
March 31, 2007

I. Summary of significant accounting policies

The accounting policies of Ferry Township have been prepared to conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by Ferry Township.

A. Reporting entity

Ferry Township is a general law township located in Oceana County, which operates under the direction of a five member elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

Ferry Township
Notes to the Financial Statements
March 31, 2007

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property and other taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Ferry Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the activities of the Ferry Township Fire Department.

Additionally, the township reports the following fund type:

The tax collection agency fund accounts for all of the tax collection payments and disbursements to Ferry Township and other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to

Ferry Township
Notes to the Financial Statements
March 31, 2007

this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds. All investments are reported at fair value.

The Township's pension trust investments are held in trust by the investment fiduciary, the Gleaner Life Insurance Society. The State of Michigan authorizes the Township's plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Pension plan securities traded on national exchanges are valued at the last reported sales price.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Ferry Township
Notes to the Financial Statements
March 31, 2007

All trade and property tax receivables are shown net of allowance for uncollectibles. The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Property taxes are levied on December 1 on the taxable valuation of real and personal property (as defined by state statutes) located in the Township as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for property within the Township totaled approximately \$24,895,414. The property tax levied consisted of 1.1356 mills for the Township's operating purposes and 1.2357 mills for fire protection. The tax revenue is recorded in the Township's General Fund and Fire Fund, respectively.

3. Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	25
Buildings and improvements	40
Furniture and office equipment	5
Vehicles and equipment	5-15

4. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Ferry Township
Notes to the Financial Statements
March 31, 2007

5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

The township supervisor prepares the budget and submits it to the Township Board prior to March 31. The operating budget includes proposed expenditures and the means of financing them. A public hearing is held at the Township Hall to obtain taxpayer comments. Prior to the end of the fiscal year, the Township Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures.

The appropriated budget is prepared by fund and function. Transfers of appropriations between functions require the approval of the Township Board. The legal level of budgetary control is the function level. The Township Board made several budgetary appropriations throughout the year.

B. Deficit fund equity

The Fire Fund had a deficit fund balance of \$5,716 as of March 31, 2007. The fund incurred expenditures in excess of revenues. The Township plans to transfer funds from the General Fund to cover the expenditures.

C. Lack of adopted budget

The Township did not adopt a revenue budget for the General Fund and did not adopt a separate budget for the Fire Fund.

D. Excess of expenditures over appropriations

For the year ended March 31, 2007, expenditures in the elections and clerk departments exceeded appropriations by more than 10%. Election expenditures were \$1,816 over budget and clerk expenditures were \$172 over budget. The overexpenditures were funded by lower expenditures in other departments.

Ferry Township
Notes to the Financial Statements
March 31, 2007

III. Detailed notes on all funds

A. Deposits and investments

As of March 31, 2007, the township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1 Year</u>	<u>5 Year</u>
Certificates of Deposit	\$177,626	\$117,626	\$60,000

The Certificates of Deposit had a weighted average maturity of 51 months.

Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Township's investment policy does not further limit its investment options.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township does not have a concentration of credit risk policy.

Custodial Credit Risk - Deposits

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require, and the Township does not have, a deposit policy for custodial credit risk. As of March 31, 2007, all of the Township's governmental funds' cash bank balance of \$12,782 and investment bank balance of \$177,626 was covered by federal depository insurance.

Foreign currency risk

The Township is not authorized to invest in securities which have this type of risk.

B. Receivables

The Township's receivables in the governmental funds consisted of \$11,056 in taxes receivable and \$14,684 due from the State of Michigan for state shared revenue.

Ferry Township
Notes to the Financial Statements
March 31, 2007

C. Capital assets

Capital asset activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
Capital assets, not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets, being depreciated:				
Land improvements	-	1,713	-	1,713
Buildings and improvements	213,065	1,400	-	214,465
Furniture and office equipment	3,541	-	-	3,541
Vehicles and equipment	420,073	-	-	420,073
Total capital assets, being depreciated:	<u>636,679</u>	<u>3,113</u>	<u>-</u>	<u>639,792</u>
Less accumulated depreciation	(188,842)	(34,691)	-	(223,533)
Net capital assets, being depreciated	<u>447,837</u>	<u>(31,578)</u>	<u>-</u>	<u>416,259</u>
Total governmental capital, net	<u><u>\$ 457,837</u></u>	<u><u>\$ (31,578)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 426,259</u></u>

Depreciation expense was charged to the following functions of the primary government:

General government	\$ 3,769
Public safety	<u>30,922</u>
	<u><u>\$ 34,691</u></u>

D. Interfund receivables, payables, and transfers

The Township's interfund balances at March 31, 2007 consisted of the following:

Due to General Fund from:

Fire Fund	\$ 5,716
Tax Fund	<u>65,384</u>
	<u><u>\$71,100</u></u>

The balance due from the tax fund includes prior years accumulated tax receipts, interest and penalties of \$38,922. The remaining due from the tax fund is the result of the current year tax levy receipts.

Ferry Township
Notes to the Financial Statements
March 31, 2007

E. Long-term obligations

The Township borrowed \$90,555 in October of 2003 for the purchase of a fire truck. The note payable is secured by the fire truck. In December of 2006, the Township borrowed \$75,515 for the construction of a new township hall. The note payable is secured by the building and property. The following schedule summarizes the Township's long-term obligation activity for the year ended March 31, 2007:

Governmental activities:

	Balance <u>April 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>March 31, 2007</u>	Due within <u>one year</u>
Notes payable due in annual installments of \$20,142, including interest at 3.65%; final payment due October 2008	\$ 56,268	\$ -	\$ 18,088	\$ 38,180	\$ 18,748
Notes payable due in annual installments of \$9,574, including interest at 4.5%; final payment due December 2011	49,000	26,515	-	75,515	6,176
	<u>\$ 105,268</u>	<u>\$ 26,515</u>	<u>\$ 18,088</u>	<u>\$ 113,695</u>	<u>\$ 24,924</u>

The annual principal and interest requirements are detailed in the following schedule:

<u>Year ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 24,924	\$ 4,792	\$ 29,716
2009	25,886	3,829	29,715
2010	6,745	2,830	9,575
2011	7,048	2,526	9,574
2012	49,092	2,435	51,527
	<u>\$ 113,695</u>	<u>\$ 16,412</u>	<u>\$ 130,107</u>

Ferry Township
Notes to the Financial Statements
March 31, 2007

F. Other information

1. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

G. Pension plan

The Township participates in the Municipal Retirement System (a public employee retirement system), which is a defined benefit pension plan. The plan covers elected officials and full-time employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Township is required to contribute an amount equal to 9 percent of the qualified employees' annual compensation each plan year. Employees contribute 3% of their annual compensation to the plan. For the year ended March 31, 2007, employer contributions totaled \$3,684 and employee contributions totaled \$1,842.

H. Economic dependency

The Township relies on the State of Michigan Shared Revenue program to fund a portion of its current governmental operations. For the year ended March 31, 2007, the state revenue was approximately 60% of total governmental revenue.

Required supplementary information

Ferry Township
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended March 31, 2007

	Budgeted Amounts			Variance with final budget-
	Original	Final	Actual	positive (negative)
REVENUES				
Property taxes	\$ -	\$ -	\$ 36,756	\$ 36,756
Other taxes	-	-	567	567
Intergovernmental revenues - state	-	-	94,327	94,327
Charges for services	-	-	7,262	7,262
Contributions and donations	-	-	1,061	1,061
Investment earnings	-	-	7,533	7,533
Other	-	-	6,300	6,300
Total revenues	-	-	153,806	153,806
EXPENDITURES				
Current				
General government				
Township board	48,000	57,545	57,998	(453)
Supervisor	6,900	6,900	6,500	400
Elections	1,000	1,581	3,397	(1,816)
Clerk	11,600	11,600	11,772	(172)
Treasurer	11,600	11,600	11,616	(16)
Assessor	16,900	20,200	20,328	(128)
Townhall	19,000	19,000	16,683	2,317
Board of review	1,100	1,100	1,066	34
Cemetery	7,900	7,900	5,832	2,068
Other general government	2,625	2,625	1,467	1,158
Public safety				
Fire	43,150	43,150	-	43,150
Public works				
Roads	120,000	120,000	21,481	98,519
Community and economic development			-	
Planning	2,000	4,614	4,114	500
Zoning	4,320	4,320	3,742	578
Capital outlay	42,979	36,485	3,113	33,372
Total expenditures	339,074	348,620	169,109	179,511
Deficiency of revenues under expenditures	(339,074)	(348,620)	(15,303)	333,317
OTHER FINANCING SOURCES				
Proceeds from long-term debt	-	-	26,515	26,515
Net change in fund balances	\$ (339,074)	\$ (348,620)	11,212	\$ 359,832
Fund balance at April 1, 2006			261,234	
Fund balance at March 31, 2007			\$ 272,446	



Lake Michigan CPA Services, PLC

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November 21, 2007

Township Board
Ferry Township
Ferry, Michigan

In planning and performing the audit of the financial statements of Ferry Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered Ferry Township's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ferry Township's internal control. Accordingly, I do not express an opinion on the effectiveness of the Ferry Township's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

Lake Michigan CPA Services, PLC

Recommendation 1: The Township should adopt a full budget for each fund before the start of the fiscal year.

During the course of the audit, I discovered that the Township did not adopt a budget before the 2007 fiscal year began. Furthermore, the budget did not include revenues. Michigan Public Act 2 requires that the Township adopt a full budget before spending any financial resources. I recommend that the Township establish a budget for the General Fund and each special revenue fund prior to March 31 of every year. The budget should include planned revenues and how they will be spent in the next fiscal year.

Recommendation 2: All receipts should be included in the treasurer's cash receipt book

During my testing of tax revenues, I noted that deposits from the tax fund into the General Fund were not recorded in the cash receipt book. The use of a cash receipt for every collection of revenue should be generated as a form of evidence for the transaction. The

Township should establish a policy that requires each revenue transaction to be appropriately documented in the sequentially numbered cash receipt book.

Recommendation 3: The Township should formally establish a fire fund to account for the property tax revenues and spending for fire protection services.

The Township levies property taxes specifically for fire services for its residents. During my testing, I discovered that the Township did not have a separate fund in the general ledger to account for the fire tax levy, but instead recorded the revenue and all related expenditures in the General Fund. The cash balance and financial activity of the fire department is tracked by the Township treasurer and this information is used at the end of the year to report the fire department's revenues, expenditures and remaining cash balance. However, this activity is not reflected as a separate fund in the Township's general ledger. The Michigan Department of Treasury requires the use of a Fire Fund in governmental units which levy a specific voted tax for fire protection. The Township should establish and maintain a Fire Fund to account for the property tax collections and disbursements for fire protection services. A budget should also be established for the Fire Fund.

Recommendation 4: Tax collections should be deposited into the General Fund and Fire Fund in a timely manner.

During my examination of the tax fund, I discovered that the tax fund was not maintained as an imprest account, but had funds accumulated from prior tax levies. The treasurer disbursed payments to the General Fund only when the General Fund had a cash need to fund current operations. The State of Michigan requires that the tax collection fund disburse tax receipts in a timely manner to the appropriate governmental units, including the Township, in accordance with Section 43 of the General Property Tax Act. The Township should disburse current tax funds to the General Fund in the same manner as disbursements to other governmental units. The Township should also disburse the accumulated cash from prior tax levies to the Township's General Fund.

Recommendation 5: Payroll taxes should be remitted when due.

During my testing of payroll expenditures, I discovered that the Township had not been remitting payroll taxes at the time they were due. The Township paid prior year payroll taxes, penalties, and interest in the current fiscal year due to errors in payroll tax payments. The payment of taxes in a timely fashion would eliminate penalties and interest. I recommend that the Township board monitor the payroll tax deadlines and that the supervisor review each tax payment. Furthermore, the Township should consider having the supervisor sign all payroll tax forms and open any mail received from the Internal Revenue Service or Michigan Department of Treasury before giving the correspondence to the Township clerk.

Recommendation 6: Voided checks should be appropriately cancelled in the Township's general ledger.

While testing the bank reconciliations, I discovered several checks which remaining as outstanding, while the actual check was voided. This overstated the actual current year expenditures of the Township. The Township clerk should void all checks in the general ledger which have been cancelled and will not be remitted.

Recommendation 7: Supporting documentation should be attached to each check copy and appropriately marked as paid.

During my testing of expenditures, I found that check copies were maintained separately from paid invoices. Furthermore, paid invoices were not appropriately cancelled. The Township should attach check copies to each invoice when paid and note on the invoice that the bill has been paid. This will help to minimize the loss of original documentation and may reduce the likelihood that a bill will be paid twice.

Recommendation 8: The Township should use the State of Michigan Uniform Chart of Accounts for all general ledger accounts

The Township has used some of the accounts required by the Uniform Chart of Accounts, but has established several account that are not compliant with the requirements. The Township clerk should obtain the Uniform Chart of Accounts and change the general ledger account numbers to be in compliance with the Uniform Chart of Accounts established by the State.

Recommendation 9: The internal control procedures should be segregated further.

A five member township board has limited resources and personnel. Therefore, there are inherent difficulties in the establishment and upkeep of an accounting system with strong internal accounting controls, including significant segregation of duties. The Township should continue using its current accounting systems, but work to find opportunities to segregate duties further and strengthen internal controls. The Township should consider the expansion of documented approval of transactions by the Township Board and supervisor, including a review of the bank statements and tax filings.

This communication is intended solely for the information and use of management of Ferry Township and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.